

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 201017

E.O. 11652: GDS

TAGS: ETRD, JA

SUBJECT: AMBASSADOR TOGO TALKS WITH UNDERSECRETARY
COOPER ON SEPTEMBER ECONOMIC MEETINGS

1. AMBASSADOR TOGO SAW UNDER SECRETARY COOPER TUESDAY
MORNING, AUGUST 23, TO SEEK CLARIFICATION OF U.S. VIEWS
ON THE SEPTEMBER ECONOMIC TALKS PRIOR TO HIS VISIT TO
TOKYO FOR THE MEETING BETWEEN SECRETARY VANCE AND PRIME
MINISTER FUKUDA. HE INFORMED MR. COOPER THAT PRIME
MINISTER FUKUDA WAS NOW FOCUSING ON THE INTERNATIONAL
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ECONOMIC SITUATION AND PREPARATIONS OF THE ECONOMIC
STIMULUS BUDGET.

2. MR. COOPER COMMENTED FAVORABLY ON THE HIGHLY SUCCESS-
FUL ASEAN TRIP BY PRIME MINISTER FUKUDA AND NOTED THAT
THE VISIT AUGURS WELL FOR JAPANESE ASSISTANCE IN ECONOMIC
DEVELOPMENT AND POLITICAL STABILITY IN THE REGION. HE

ADDED THAT HE HOPED THE JAPANESE RESPONSE TO ASEAN INITIATIVES WOULD BE IN A "GLOBAL" FRAMEWORK. FOR EXAMPLE, THE U.S. RESPONSE TO SIMILAR LATIN AMERICAN REQUESTS WAS TO UNDERTAKE GLOBALLY APPLICABLE MEASURES FOR COMMODITIES THEY WERE PARTICULARLY INTERESTED IN.

AMBASSADOR TOGO REASSURED MR. COOPER THAT THIS WAS THE SORT OF DEVELOPMENT HE FORESAW IN JAPAN-ASEAN COOPERATION.

3. CONCERNING THE STRAUSS VISIT, MR. COOPER SAID THIS WAS THE COUNTERPART OF AMBASSADOR STRAUSS' BRUSSELS TRIP. HE WOULD REVIEW THE KEY MTN ISSUES AND THE TIMETABLE WITH THE JAPANESE LEADERS. THERE MIGHT BE SOME DISCUSSION OF BILATERAL ISSUES. AMBASSADOR TOGO NOTED THAT HE WOULD BE SEEING AMBASSADOR STRAUSS AFTERNOON AUGUST 23 BEFORE HIS DEPARTURE. (FYI: DEPARTMENT HAS ASKED STR TO PREPARE REPORTING CABLE ON STRAUSS-TOGO MEETING).

4. ON THE SUBCABINET TALKS, MR. COOPER SAID THAT WE WOULD WANT TO REVIEW THE GLOBAL ECONOMIC SITUATION, WHICH WAS STILL OF CONCERN. WE WOULD LIKE TO EXCHANGE ASSESSMENTS OF FUTURE DEVELOPMENTS, AND PROSPECTS FOR THE U.S. AND JAPANESE ECONOMIES IN THE NEXT YEAR TO EIGHTEEN MONTHS. WE WANTED TO SHARE VIEWS ON THE EUROPEAN SITUATION, WHICH WAS OF MOST CONCERN.

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5. TURNING TO THE JAPANESE ECONOMY, MR. COOPER OBSERVED THAT WE WERE INTERESTED IN PRIME MINISTER FUKUDA'S STIMULUS PROGRAMS, IN VIEW OF THE PREVAILING ASSESSMENTS OF REDUCED JAPANESE GROWTH. WE WOULD BE PARTICULARLY INTERESTED IN DEVELOPMENTS IN THE JAPANESE DOMESTIC ECONOMY AND THEIR IMPACT ON JAPANESE TRADE POLICY. WITH THE JAPANESE TRADE SURPLUS MUCH LARGER THAN THE LARGEST FORECAST SIX MONTHS AGO, AND IN CONTRAST TO FUKUDA'S FORECAST OF ROUGH BALANCE, THE PROBLEM WAS NOT AN ABSTRACT ONE. THE U.S. HAS BEEN RUNNING A LARGE DEFICIT, WHICH THE USG BELIEVES IS THE CORRECT POLICY. HOWEVER, THERE HAS BEEN GROWING BUSINESS AND MEDIA PRESSURE TO REDUCE THE DEFICIT. IF IT GETS WORSE, THERE WILL UNDOUBTEDLY BE A PUBLIC ARGUMENT ABOUT THE SOURCE OF THE PROBLEM AND THE NEED FOR MEASURES TO ELIMINATE IT. SIMILARLY IN EUROPE, PROTECTIONISM IS EVERYWHERE JUST BELOW THE SURFACE. WE WOULD LIKE TO TALK ABOUT THE JAPANESE SURPLUS FROM THIS POINT OF VIEW AND REVIEW POSSIBLE MEASURES, ON THE IMPORT SIDE AS WELL AS THE EXPORT SIDE, THAT THE GOJ IS CONSIDERING TO REDUCE ITS SURPLUS.

6. WE WANT TO COMPARE NOTES ON THE NORTH-SOUTH DIALOGUE

DEVELOPMENTS IN THE NEXT SIX MONTHS TO A YEAR. PEREZ (VENEZUELA) PROPOSED TO PRESIDENT CARTER AND SECRETARY VANCE THAT A LIMITED MEMBERSHIP FORUM WITHIN THE UN BE SET UP TO FOLLOW CIEC. WE AGREED TO SUPPORT THIS ARRANGEMENT AT THE APPROPRIATE MOMENT, IF VENEZUELA TOOK THE LEAD.

THEIR SOUNDINGS HAVE APPARENTLY AROUSED NO INTEREST. IN GENERAL, WE WANT TO MOVE NORTH-SOUTH CONSULTATIONS INTO FUNCTIONAL FORUMS (INTERIM COMMITTEE, DEVELOPMENT COMMITTEE, UNCTAD COMMODITY GROUPS, ETC.), WHERE EFFECTIVE ACTION CAN BE TAKEN.

7. WE WOULD LIKE TO DISCUSS TRADE AND NORTH-SOUTH ISSUES SO THAT DEVELOPED COUNTRIES CAN PLAY A MORE CONSTRUCTIVE
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ROLE IN TALKS WITH THE MORE ADVANCED LDCS. ONE AREA WHERE THIS MAYBE POSSIBLE IS TO REVIEW DEVELOPED COUNTRIES TARIFF STRUCTURES (TARIFF ESCALATION) WITH A VIEW TOWARD MOVING MORE FIRST AND SECOND STAGE PROCESSING INDUSTRIES FROM DEVELOPED TO DEVELOPING COUNTRIES.

8. WE WOULD LIKE TO DISCUSS ARRANGEMENTS FOR FOLLOWUP TO THE LONDON ECONOMIC SUMMIT. HENRY OWEN IS ARRANGING A MEETING FOR LATE SEPTEMBER, IN THE CONTEXT OF THE IMF/ WORLD BANK MEETING IN WASHINGTON, TO REVIEW DEVELOPMENTS SINCE MAY IN THE FIVE FIELDS OF OVERALL ECONOMIC SITUATION, TRADE POLICY, ENERGY, NORTH-SOUTH ISSUES, AND THE INTERNATIONAL FINANCIAL SITUATION. THE MEETING WOULD FOCUS ON WHERE WE STAND RELATIVE TO THE LONDON COMMUNIQUE AND CONSIDER THE NECESSITY FOR ANOTHER SUMMIT.

9. WE DO NOT PROPOSE TO DISCUSS SPECIFIC BILATERAL ISSUES IN DETAIL. WE WILL DISCUSS THE GENERAL PRINCIPLES OF OUR CIVIL AVIATION POLICY, BUT WE WILL NOT GO INTO DETAIL. WE DO NOT PROPOSE TO RAISE THE STEEL ISSUE, WHICH IS A PARTICULAR PROBLEM FLOWING FROM THE GENERAL WORLD ECONOMIC SITUATION. U.S. BUSINESS AND LABOR ARE PUSHING HARD FOR GOVERNMENT ACTION; HOWEVER, WE ARE RESISTING TAKING MEASURES AT THIS TIME. WE RECOGNIZE THE SALUTORY EFFECTS OF IMPORTS IN PROVIDING PRICE DISCIPLINE IN THE U.S. AT THE SAME TIME, WE REALIZE THAT DIFFERENT PRICING PRACTICES OF U.S. AND JAPANESE STEEL FIRMS ACCENTUATE THE PROBLEM DURING SLACK TIMES IN BOTH ECONOMIES. WE ARE CONTINUING TO STUDY THE PROBLEM WITHIN THE USG AND WANT TO CONTINUE TO HANDLE STEEL IN THE OECD AD HOC COMMITTEE FRAMEWORK.

10. ON AN ENTIRELY SEPARATE SUBJECT, AMBASSADOR TOGO
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ASKED ABOUT PLANS TO USE ALASKAN OIL IN THE U.S. MR. COOPER OBSERVED THAT THE IMMEDIATE PLANS WERE TO SHIP THE OIL IN LARGE TANKERS TO PANAMA, AND THEN CHANGE TO SMALL TANKERS TO TAKE IT ON TO GULF COAST PORTS. ANOTHER LONGER TERM POSSIBILITY WOULD BE TO USE A PIPELINE ROUTE FROM CALIFORNIA TO THE TEXAS/GULF AREA. CHRISTOPHER

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